

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

An Important Advice to **HEERAGOLD EXIM LTD / HEERA GROUP IBG** and to all its **AGENTS, STOCK HOLDERS/PARTNERS/INVESTORS**

قال سبحانه وتعالى: وَذَكَرْ فَإِنَّ الذِّكْرَ يُتَفَعُّ الْمُؤْمِنِينَ (٥١:٥٥)

Allah said: And remind! for verily, the reminding benefits the believers (51:55)

The Messenger of Allah ﷺ said, "إِنَّ الدِّينَ النَّصِيحَةُ إِنَّ الدِّينَ النَّصِيحَةُ إِنَّ الدِّينَ النَّصِيحَةُ" (The Religion is Sincerity and Sincere Advice, The Religion is Sincerity and Sincere Advice, The Religion is Sincerity and Sincere Advice" (Graded as Saheeh by Shaikh Albaneer in Saheeh Abi Dawood (4944), Saheeh An-Nasaai (4210), Saheeh At-Targheeb (1776) and others)

Brief Information about HeeraGold Trading/Invest Plan for people

HeeraGold IBG offers investment and trading opportunities to people in the following three schemes are available now.

1. TCN A: This scheme is for those who want to invest and trade in gold. The company is selling membership of trade which it has divided in the form of units, and each unit is priced Rs. 25,000 (SAR 2000). The trader needs to buy one or more units (the company says that people can buy any number of units). These units are money that the member has paid to participate in trading. So, the company invests this money and buys gold on member's behalf, then trades it in the market, makes profit, and then the profit is distributed between the member and the company. There is a lock-in period of one year for this purchase.
2. TCN E: This scheme is for those who want to invest in textiles. The unit price here is Rs. 2,00,000 and the lock in period is of 12 months. Unlike TCN A, this scheme provides one-time lump-sum benefit in the 15th month
3. TCN G: This scheme is for those who want to invest in Food products (Foodex). The price of each unit is Rs. 20,000 and the lock-in period is approximately 24 months. Under this scheme, the company provides benefit in the 27th month.

The company has also mentioned the estimates of returns that people are likely to receive when they buy these units. These estimates are based upon the track record of the company and the distribution that is being done since a significant amount of time. It is to be noted that the profit sharing between the company and the member is 60:40 for TCN A (gold), 50:50 for TCN E (Textiles), and 50:50 for TCN G (Foodex). The company says that the units are secured and won't be subjected to losses if incurred. **This means that, if you have bought four (4) units under TCN A scheme, you must have paid Rs. 1,00,000. According to the company, it will return this money once the lock-in period expires. So, if the company faces any losses during these transactions (buying gold for the customers and selling it in the market), then it is upon the company. The members are unharmed with the loss. (I**

have verified this by calling up the HeeraGold Customer Care Number: 040-6574557, I have verified this by speaking to people at Kurla office, I have verified it by speaking to the people at other branches of HeeraGold including the Saudi Arabia Office of HeeraGold which is listed on the website and one of its main offices. Other than this, I also have written replies from official email account of HeeraGold's branch manager, WhatsApp accounts and so on. Everything is available with clear proof and this is undeniable proof).

What does the company call its members (the owners of these units)?

In a video, the MD & CEO of Heera Group Nowhera Shaikh said that there are no investors in her company and they only have customers who trade their gold with the company and the company gives them profits upon physical trading of gold. So basically, these members are HeeraGold's customers according to them. However, these members are not really "customers" because they don't buy gold from the company. They give the company money by investing in its units and the company buys gold from this money and sells on their behalf. So, to facilitate easy understanding, we can call them "trading-clients" of the company to whom the company is providing service.

In Layman's method of understanding, how do we define this method?

Let us say that there is a gold trader named Ahmad who is a successful gold trader. He buys gold dust in Ghana and gets it converted into gold bullion bars, biscuits, bricks and so on. Then he sells it in Dubai, Saudi Arabia, India and many other countries where he has his customers who are in need of gold always. Seeing the success of the business, Ahmad, who is a good Muslim and a responsible person, invites people to trade in this business. He tells people, "I go to Ghana and procure gold, and then sell it to my customers. The need of my customers is always high, and there are more companies that can become my customers too. So, you give me money and I will buy gold on your behalf and sell that in the market and share profits with you. I am carrying out the business and doing all the hardwork, I will keep 60% of the profit and give you 40% of it. But I cannot accept money in different amounts as it will be difficult for me to keep a record of it and do a lot of calculations every month while buying gold or distributing profits. So, I have made units of Rs. 20,000 each. Hence, whoever wants to trade with me, must take up these units. You can take up any number of units as per your capacity and I will trade them for you." Then the people buy units as per what he has mentioned, and then Ahmad is trading on their behalf and returning profits. Ahmad is offering service as an **agent** and charging 60% of profits which is acceptable.

What do we call this system in Islaam? Is there a specific classification of such type of business?

What is apparently understood by the way HeeraGold explains and presents its TCN schemes is that it seems to be the Wakaalah (agency) system wherein the Muwakkil (the owner of the unit) gives the unit to the Wakeel (the agent) to buy gold with it and then sell it for profits and then have 60% of the profit as the agent's share for the service the agency has offered

and give the remaining 40% to him (the Muwakkil). **But sadly, HeeraGold's scheme doesn't fulfill the rules of Wakaala system.** Why? See the points mentioned hereunder.

1. The company has guaranteed the units in such a way that its value won't get reduced when the company incurs loss, and the loss will be borne by the company. Here, the member is the owner of the unit and HeeraGold is the agent that trades for it. So how can the member's money be 100% secured and HeeraGold being an agent bear the entire loss? So, this is a baatil (null and void) condition.
2. HeeraGold is guaranteeing the unit investment, so it is paying only profits every month. They say that in case of loss, the member won't get his share of profit that month, of the coming month until the loss is recovered. By doing so, HeeraGold is putting a cap upon the investment of the member and somehow guaranteeing the principal amount. **Sadly, this is Riba Al Fadhl (exchange of money for money with extra being given by the borrower) and Riba Al Nasiah (delay in exchanging money for money).**
3. How can the owner of the unit get profits without his product being subjected to risk? The Prophet ﷺ said, "الْحَرَجُ بِالضَّمَانِ" (The Profit/Benefit is with the responsibility)" Graded as Saheeh by Shaikh Albanee in Saheeh Ibn Majah (1836), Saheeh Abi Dawood (3508), Saheeh At-Tirmidhee (1285) and others.
4. The nature of the business, its regular transactions of gold, it being a gold seller itself, engaging long term contacts with the trading-clients (members), casts doubts on it being upon the Wakaala system (if they prove that it is Wakaala, still points 1 & 2 mentioned above make it Haraam). So, according to my opinion, I feel that this is more of a Mudaaraba contract.

Mudaaraba Contract

In a Mudaaraba Contract, a person invests his money and another person invests his hardwork, time and labour. When they make profits, then the profit is shared between them in a ratio that has been agreed between them. But in case of loss, the one who has invested money, faces financial loss from his capital invested, whereas the other person loses his hardwork, time and labor. There is an Ijmaa' of the Ahlus Sunnah that this kind of transaction is permissible and the Sahaaba of the Prophet ﷺ used to do this. Let us see whether HeeraGold fits into it.

HeeraGold doesn't fit into it because of the following reason:

The investor of wealth is the member who purchased the unit, and the investor of hardwork, time and labour is HeeraGold (this is because HeeraGold is not a partner in the unit which is solely owned by the member). When the company makes profits, HeeraGold shares 40% of it with the member and keeps 60%, and when there is a loss, then it is borne by HeeraGold itself and the investor is 100% secured with his investment. According to The Permanent Committee for Scholarly Research and Ifta' (Saudi Arabia) (Fatwa No. 20582), this is Baatil. **So what HeeraGold is practicing is a Haraam form of**

Mudaaraba. Actually, in case of loss, the entire financial loss should be borne by the member and labour loss should be borne by HeeraGold.

Then is it Mushaaraka (wherein both the parties or more number of people make an investment)? No. The company clearly says that we do not have partners or investors, we only have customers who are the stock holders. Even if they say now that it is Mushaaraka, then also it is not permissible as one partner's investment is guaranteed and the other bears all the loss.

One more point to add here. There is a possibility that the company could say "All our branches are having wrong information, all our agents have wrong information, and all our branch managers have wrong information, actually the members' principal amount is subjected to loss too (in case of loss), then I have an answer for that as well. On the 1st of August 2017, at 8:36 am (Saudi Arabian time), I called up the Head Office's main department who have the highest level of information among all the operational offices of HeeraGold in the world, the call was received by a man who took my queries, discussed it with people and finally told me "We are trading since several years and never faced any loss, but in case of such as loss, the Principal amount of the members will be subjected to a 30% deduction." The contact number of this office is 040-64632003. I got this number from the HeeraGold Customer Care center (040-65745558) who told me that I would get all the answers from their given number which is of the head office and of the top people of the company. Are the members aware of this 30% loss ratio when your managers, branch heads, marketing executives and agents are not aware of it? The members who have purchased the units and are reading this article can answer this question to themselves. **I say that even if this is the case, it is Haraam, it is Riba as the entire loss is to be borne by the one who invested money, and not the one who provides the service.**

So, with a sadden heart, I hereby conclude that it is not permissible to invest in the current schemes (TCN A, TCN E and TCN G) offered by HeeraGold. I request HeeraGold to please take this advice and rectify their affairs and then serve the Muslim community with Halal options. I pray that the company rectifies its affairs and comes out as a halal opportunity. **But as per the current situation, it is not permissible for any investor to continue taking profits from HeeraGold.**

It is not difficult to make all these schemes Halal, and it is not difficult to do it in India. When I worked out how it can be made halal, I did not find any hurdle in its way (even if it is India).

One more thing for the members of TCN A (Gold Scheme)

The Prophet ﷺ said:

الدَّهْبُ بِالذَّهَبِ وَالْفِضَّةُ بِالْفِضَّةِ وَالْبُرُّ بِالْبُرِّ وَالشَّعِيرُ بِالشَّعِيرِ وَالتَّمْرُ بِالتَّمْرِ وَالْمِلْحُ بِالْمِلْحِ مَثَلًا بِمِثْلِ سَوَاءٍ بِسَوَاءٍ يَدًا بِيَدٍ " فَإِذَا اخْتَلَفَتْ هَذِهِ الْأَصْنَافُ فَبِيعُوا كَيْفَ شِئْتُمْ إِذَا كَانَ يَدًا بِيَدٍ "

Gold is to be paid for by gold, silver by silver, wheat by wheat, barley by barley, dates by dates, and salt by salt, like for like and equal for equal, payment being made hand to hand. If

these classes differ, then sell as you wish if payment is made hand to hand. (Saheeh Muslim 1587)

When HeeraGold buys gold from people, it must pay on the spot and get possession of gold, and when it sells to its customers, it must collect payment and the customer must collect the gold in the same sitting (hand to hand). Bank transactions are also allowed. For example, HeeraGold can take the gold to the customer, give him the entire gold and take the entire payment in cheque, or the customer does a bank transfer there itself. **It is not permissible to take the payment in advance, or take a part payment/initial payment in advance, then then deliver the gold later.** Upon asking, one of the branch heads, whom I don't wish to name (as I don't feel the need) said that it takes HeeraGold about 6 days to deliver the gold whereas it keeps receiving payments. So other than the issues mentioned in the previous section, the investors in gold **must verify this element too because this is Riba.** I am not saying that HeeraGold does like this, but I have heard it this way, so it is upon every investor to ask about it before investing.

A brief advice to the company:

1. Please rectify the above issues. Take help of the people of knowledge and get it all restructured.
2. Please appoint a shuraa committee or atleast a knowledgeable person who is well versed with the nature of your business, its transactions and shariah compatibility. This committee or person should be available to answer any query related to the organization. Their/His contact details should be made available to anyone.
3. Please maintain transparency atleast in religious issues. Let everyone know how your organization is religiously compatible. By just mentioning "Allah has permitted trade and forbade Interest (2:275)" won't be enough. People must get a clear picture.
4. Even your employees, agents, branch heads and managers are not fully aware of everything? Why? Atleast train them on all these issues and make them handle such queries.
5. This Unit system needs a little adjustment as it is not a proper label. It needs a little more polishing in order to fit better into the rulings.
6. Give more information about your policies, plans and clarify everything in written material in a detailed way. If possible make audio/video presentation of the entire method of operations so that anyone could see and understand easily.
7. Nowhera Shaikh seems to be the only person mentioned everywhere. There is no one else. Is this due to too much insecurity? Such level of centralization is not beneficial for such a big company. Give responsibilities to trustworthy people so that everything is properly handled.

A brief advice for Investors who want to invest in gold:

1. Gold is bought and sold hand to hand
2. Physical trading of gold is taking place

3. If you are the owner of the gold traded, then entire loss is upon you if any loss incurs
4. The agent gets a wage from the profit as per the agreement or a salary
5. If it is Wakaala, or Mudaaraba or Mushaaraka, then their rulings must be in real application

I have made this article as a genuine advice to HeeraGold EXIM / HeeraGold IBG and its Investors/Members/Stock Holders because I cannot reach out to all of them individually, and there are thousands of investors, several hundreds of agents, and several offices and branches. I have seen that it is very difficult to reach the toplevel management of HeeraGold easily. Also, as the harm is being spread all over the world, warning one or two people privately won't stop it. This is my service to my brothers and sisters, and also to HeeraGold as I have tried to help them all to save their duniya and the aakhirah, may Allah accept it from me. (I don't want to share the pictures, screenshots, mail, recordings etc in public because this is article is an advice to the company, its people and the member investors and I hope that they all take it as an advice and resolve the issues without accusing me of causing rift).

Written by:

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